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C O N F I D E N T I A L SECTION 01 OF 02 BANGKOK 000636

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TAGS: [PGOV](#) [ECON](#) [TH](#)

SUBJECT: CORRUPTION ISSUES IN THE HEADLINES

REF: A. BANGKOK 00538

[B](#). 05 BANGKOK 7305

[C](#). 05 BNAGKOK 7197

Classified By: Deputy Chief of Mission Alex A. Arvizu, reason 1.4 (b) (d)

1.(C) SUMMARY: Corruption issues are dominating the media again. There is good news and bad news. One piece of good news is the reinstatement of Khunying Jaruvan as the Auditor-General, after over a year of bureaucratic infighting that drew in even the Palace (ref B). For the Prime Minister, there is good news in the reports of corruption scandals now plaguing the main opposition party. The bad news is that the palace has rejected the Senate's proposed new members of the National Counter-Corruption Commission, an embarrassing development for the Senate (allegedly non-partisan, but openly dominated by Thai Rak Thai sympathizers). Finally, there is the PM's sale of his shares in his publicly listed, family owned holding company, Shincorp, to Singapore (ref A). Opposition newspapers and many pundits are highly critical of the PM and his deal, but it's not clear that the general public is catching up to the apoplectic reactions of the opposition. Nonetheless, questionable elements of the deal leave Thaksin vulnerable to legal repercussions. END SUMMARY

[2](#). (C) Corruption issues are in the headlines and leading the newscasts again. In the Senate, it was one step forward, one step back. The long-running soap opera starring Auditor-General Khunying Jaruvan took a surprising plot twist. After over a year of bureaucratic wrangling over the legality of her appointment, the Senate decided that she could resume her responsibilities as one of the chief counter-corruption watchdogs in the government. Jaruvan was sidelined on a technicality; it was widely believed authorities wanted to remove her from the job because she was too committed to fighting corruption. The role of the King, who refused to sign off on a replacement proposed by the Senate, was key, and was one of the recent signs of conflict between the PM and the King. (Ref C).

Second verse, same as the first?

[3](#). (C) A feeling of deja vu has descended on the Senate, as the Palace last week refused to endorse the list of nine National Counter-Corruption Commission members forwarded for the King's signature. The nominees had been criticized on technical grounds (the Senate is supposed to choose nine out of 18 nominees, but there were only 17 nominees on the list when the vote was taken.) More importantly, some of the nine had been criticized for being too close to the ruling Thai Rak Thai (TRT) party. That complaint has no legal standing, but the King's rejection of the list will likely be read as criticism of the quality of the Commission members, rather than concerns about the minutiae of the selection process, especially in the wake of the high-profile Auditor-General case. The Senate committee will meet again next week to try to resolve the situation.

Politicians are all the same

[4](#). (C) The split in the Thai media, between the government-controlled broadcast media and the anti-Thaksin print media, is clearly seen in the coverage of the two scandals dominating the news. The broadcast media is giving lots of play to the bid-rigging scandal in the Bangkok Metropolitan Authority. Although the Bangkok Governor, a leading member of the Democrat party, has not been directly accused of misbehavior, his deputy has been implicated. The Democrats are attempting to burnish their image by establishing an inquiry commission, but the TV viewing public will mainly take away the message that the Democrats are also tainted.

The big story

[5](#). (C) The print media, especially the anti-Thaksin English-language press, is dominated by continuing outrage over Thaksin's 1.8 billion dollar sale of his family's stake in Shin Corp (ref A), While there is some criticism over

selling such an important asset to a foreign entity (Singapore's Temasek Holdings), most of the hullabaloo is about questionable legal aspects of the deal and the tax-free status of the profits. Securities regulators will reportedly be looking into questions about the transfer of shares from Thaksin to a company he set up and registered in the British Virgin Islands, Ample Rich, and subsequent transfers of Ample Rich holdings to Thaksin's son and daughter, especially those made right in advance of the Shin Corp sale. The head of the Thai Law Society has joined a chorus line of other academics and experts who are already declaring various aspects of the deal illegal. We expect the investigation and the accompanying denunciations to drag on for long time, a further burden the PM will have to carry.

Comment

16. (C) Despite the outcry in the elite press, it is hard to judge how much resonance this issue has with the average voter. The broadcast media are reporting the basic facts, but commentators tend to make comments like, "it's the PM's property, and he has a right to sell it." The arguments about the legality of the deal itself, and the tax exemption, are just too complicated for most people to follow. However, the opposition is hammering on these points and spreading the word. Many Thai voters admire Thaksin precisely for his business acumen and his wealth, but 1.8 billion dollars is a lot of money to get without paying any tax. If the deal skirted the law in any way, it will almost certainly come out, given the high level of interest. And it's part of a long litany of corruption issues that have dogged Thaksin since before he even took office.

17. (C) It will take a while before we see what real impact public reaction to the sale will have. Thaksin may have been too clever by half; there are probably some aspects to the Ample Rich deal that may not hold up well under the close scrutiny that is coming. In the end, though, the issue will probably stoke up further opposition to Thaksin among those who already despise him -- the educated, Bangkok elite and growing segments of the middle class -- without affecting the views of most of his supporters in rural areas.

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